

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name	County
Fiscal Year End	Opinion Date	Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

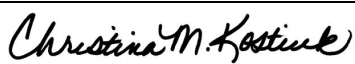
YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature 	Printed Name		License Number	

**Township of Richmond
Macomb County, Michigan**

**Financial Report
with Supplemental Information
June 30, 2007**

Township of Richmond

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Independent Auditor's Report

To the Board of Trustees
Township of Richmond
Macomb County, Michigan

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Township of Richmond as of and for the year ended June 30, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township of Richmond, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Township of Richmond as of June 30, 2007 and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the budgetary comparison schedule, as identified in the table of contents, are not required parts of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Plante & Moran, PLLC

November 28, 2007



Township of Richmond

Management's Discussion and Analysis

Our discussion and analysis of the Township of Richmond, Michigan's (the "Township") financial performance provides an overview of the Township's financial activities for the fiscal year ended June 30, 2007. Please read it in conjunction with the Township's financial statements.

Financial Highlights

As discussed in further detail in this management's discussion and analysis, the following represents the most significant financial highlights for the year ended June 30, 2007:

- Total net assets related to the Township's governmental activities increased by approximately \$103,000.
- Total governmental revenues increased by approximately \$63,000 this year. Most of this increase is due to increases in property tax revenue and charges for services.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements by providing information about the Township's most significant fund, the General Fund. The fiduciary fund statement provides financial information about activity for which the Township acts solely as an agent for the benefit of those outside of the government.

Township of Richmond

Management's Discussion and Analysis (Continued)

Township of Richmond as a Whole

The following table shows the net assets of the governmental activities in a condensed format as of June 30, 2007 in comparison to the prior year (in thousands of dollars).

TABLE I

	Governmental Activities	
	2007	2006
Assets		
Current assets	\$ 672	\$ 593
Noncurrent assets	<u>1,566</u>	<u>1,561</u>
Total assets	2,238	2,154
Liabilities		
Current liabilities	117	100
Long-term liabilities	<u>224</u>	<u>260</u>
Total liabilities	<u>341</u>	<u>360</u>
Net Assets		
Invested in capital assets - Net of related debt	914	943
Restricted	28	20
Unrestricted	<u>955</u>	<u>831</u>
Total net assets	<u><u>\$ 1,897</u></u>	<u><u>\$ 1,794</u></u>

The Township's combined net assets increased 6 percent from a year ago - increasing from approximately \$1,794,000 to \$1,897,000. Unrestricted net assets are the portion of net assets that can be used to finance day-to-day operations. At June 30, 2007, approximately \$955,000 of the Township's net assets are unrestricted.

Township of Richmond

Management's Discussion and Analysis (Continued)

The following table shows the comparison of changes of the net assets of the governmental activities during the year ended June 30, 2007 to the prior year (in thousands of dollars).

TABLE 2	2007	2006
Revenue		
Program revenue:		
Charges for services	\$ 320	\$ 283
Operating grants and contributions	35	16
General revenue:		
Property taxes	310	289
State-shared revenue	230	235
Unrestricted investment earnings	18	16
Transfers and other revenue	59	70
Total revenue	972	909
Program Expenses		
General government	309	329
Public safety	281	270
Public works	243	214
Recreation and culture	25	24
Interest on long-term debt	11	12
Total program expenses	869	849
Change in Net Assets	\$ 103	\$ 60

Governmental Activities

The Township's total governmental revenues were approximately \$972,000. The three largest revenue items are charges for services, including permits and garbage collection fees, which total 32.9 percent of the revenue, property taxes at 31.9 percent, and state-shared revenue at 23.7 percent. This fiscal year, total revenue increased compared to the prior year due to the growth in property tax revenues. Revenue from charges for services also increased due to an increase in the rubbish and recycling removal fee. General government expenses account for approximately 35.6 percent of the total amounts expended. In total, there was an increase in net assets totaling approximately \$103,000.

Township of Richmond

Management's Discussion and Analysis (Continued)

The General Fund

Our analysis of the Township's General Fund (the Township's only major fund) begins on page 8, following the government-wide financial statements. The fund financial statements provide detail information about the most significant fund, not the Township as a whole. The General Fund pays for the Township's governmental services. The most significant costs relate to general government services and public safety, which incurred approximately \$325,000 and \$278,000, respectively, of expenditures this year.

General Fund Budgetary Highlights

Over the course of the year, the Township amended the budget to take into account events during the year. The most significant changes were to increase the expenditures for attorney fees and decrease the expenditures for capital outlay by \$13,000 and \$17,080, respectively. The Township's General Fund fund balance increased to approximately \$531,000 at June 30, 2007.

Capital Asset and Debt Administration

At the end of 2007, the Township had \$1,174,000 invested in a broad range of capital assets, including buildings, furniture, and office equipment. Current year acquisitions of approximately \$3,010 included the repairing of cement at the Township Hall. There was no additional debt incurred in the current year.

Economic Factors and Next Year's Budgets and Rates

It is expected that the Township's property tax millage for operating purposes will remain the same next year while the millage for fire protection and EMS will increase slightly. Because of the impact of Proposal A, however, the Township needs to continue to watch its budget very closely. The state-wide Tax Reform Act limits growth in taxable value on any individual property to the lesser of inflation or 5 percent. Because some properties increase in value by less than inflation, the mathematical result of this is that the total taxable value for the Township will grow less than by inflation, before considering new property additions.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office.

Township of Richmond

Statement of Net Assets June 30, 2007

	Primary Government - Governmental Activities
Assets	
Cash and investments (Note 3)	\$ 401,454
Receivables:	
Accounts	128,700
Intergovernmental	73,868
Prepaid costs	67,750
Investment in joint venture (Note 8)	392,075
Capital assets (Note 5):	
Nondepreciable	489,000
Depreciable - Net	<u>684,727</u>
Total assets	2,237,574
Liabilities	
Accounts payable	76,785
Accrued and other liabilities	2,772
Noncurrent liabilities (Note 6):	
Due within one year	36,001
Due in more than one year	<u>224,208</u>
Total liabilities	<u>339,766</u>
Net Assets	
Invested in capital assets - Net of related debt	913,518
Restricted:	
Building code surplus	5,363
Liquor law enforcement	950
Farmland preservation	22,991
Unrestricted	<u>954,986</u>
Total net assets	<u>\$ 1,897,808</u>

Township of Richmond

Statement of Activities Year Ended June 30, 2007

	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government - Governmental
Functions/Programs				
Primary government - Governmental activities:				
General government	\$ 308,746	\$ -	\$ -	\$ (308,746)
Public safety	280,509	59,053	-	(221,456)
Public works	242,726	261,234	-	18,508
Community and economic development	477	-	23,129	22,652
Recreation and culture	24,870	-	11,125	(13,745)
Interest on long-term debt	10,831	-	-	(10,831)
Total primary government	<u>\$ 868,159</u>	<u>\$ 320,287</u>	<u>\$ 34,254</u>	(513,618)
General revenues:				
Property taxes				310,307
State-shared revenues				229,676
Unrestricted investment earnings				18,215
Miscellaneous				59,064
Total general revenues				<u>617,262</u>
Change in Net Assets				103,644
Net Assets - Beginning of year				<u>1,794,164</u>
Net Assets - End of year				<u>\$ 1,897,808</u>

Township of Richmond

Governmental Funds Balance Sheet June 30, 2007

	Nonmajor Governmental Funds		
	Major Fund -	Liquor Law	Farmland
	General Fund	Enforcement	Preservation
		Fund	Fund
			Total
			Governmental
			Funds
Assets			
Cash and investments (Note 3)	\$ 377,513	\$ 950	\$ 22,991
Receivables:			
Accounts	128,700	-	-
Intergovernmental	73,868	-	-
Prepaid costs	67,750	-	-
Total assets	<u>\$ 647,831</u>	<u>\$ 950</u>	<u>\$ 22,991</u>
			<u>\$ 671,772</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 76,785	\$ -	\$ -
Accrued liabilities	2,772	-	-
Deferred revenue (Note 4)	37,213	-	-
Total liabilities	116,770	-	-
			116,770
Fund Balances			
Reserved for:			
Building code surplus	5,363	-	-
Prepaid costs	67,750	-	-
Unreserved, reported in:			
General Fund	457,948	-	-
Special Revenue Funds	-	950	22,991
Total fund balances	531,061	950	22,991
			555,002
Total liabilities and fund balances	<u>\$ 647,831</u>	<u>\$ 950</u>	<u>\$ 22,991</u>
			<u>\$ 671,772</u>
Fund Balance - Total Governmental Funds			\$ 555,002
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources and are not reported in the funds			1,173,727
The investment in joint venture is not reported in the funds			392,075
Long-term liabilities are not due and payable in the current period and are not reported in the funds			(260,209)
Revenue related to receivables is reported in the statement of net assets at the time it is earned without regard to timeliness of remittance			37,213
Net Assets - Governmental Activities			<u>\$ 1,897,808</u>

Township of Richmond

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2007

		Nonmajor Governmental Funds		
		Liquor Law	Farmland	Total
	Major Fund -	Enforcement	Preservation	Governmental
	General Fund	Fund	Fund	Funds
Revenue				
Property taxes	\$ 310,307	\$ -	\$ -	\$ 310,307
Licenses and permits	58,398	-	-	58,398
Federal grants	11,125	-	-	11,125
State-shared - Grants and other revenues	234,202	-	-	234,202
Charges for services	261,234	-	-	261,234
Interest	17,876	-	339	18,215
Other	59,064	655	23,129	82,848
Total revenue	952,206	655	23,468	952,861
Expenditures				
Current:				
General government	325,365	-	-	325,365
Public safety	277,700	609	-	278,309
Public works	237,303	-	-	237,303
Community and economic development	-	-	477	477
Recreation and culture	16,044	-	-	16,044
Capital outlay	4,952	-	-	4,952
Debt service	45,530	-	-	45,530
Total expenditures	906,894	609	477	907,980
Excess of Revenue Over Expenditures	45,312	46	22,991	68,349
Fund Balances - Beginning of year	485,749	904	-	486,653
Fund Balances - End of year	<u>\$ 531,061</u>	<u>\$ 950</u>	<u>\$ 22,991</u>	<u>\$ 555,002</u>

Township of Richmond

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2007

Net Change in Fund Balances - Total Governmental Funds	\$	68,349
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures;
in the statement of activities, these costs are allocated
over their estimated useful lives as depreciation:

Capital outlay expenditures		3,010
Depreciation expense		(66,961)

Revenue is reported in the statement of activities at the time it is earned, without regard to timeliness of collection		(4,526)
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Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)		34,699
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Income from joint venture is not recorded in the funds		69,073
--	--	--------

Change in Net Assets of Governmental Activities	\$	<u>103,644</u>
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Township of Richmond

Fiduciary Fund - Agency Fund Statement of Assets and Liabilities June 30, 2007

Assets - Cash and investments (Note 3)	\$ 57,630
Liabilities - Cash bonds and deposits	\$ 57,630

Township of Richmond

Notes to Financial Statements June 30, 2007

Note I - Summary of Significant Accounting Policies

The accounting policies of the Township of Richmond (the "Township") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Township of Richmond:

Reporting Entity

The Township of Richmond is governed by an elected five-member board of trustees. The accompanying financial statements present the Township of Richmond, Macomb County, Michigan. There are no component units required to be included in these financial statements.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. Governmental activities are normally supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Township of Richmond

Notes to Financial Statements June 30, 2007

Note 1 - Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as is the agency fund financial statement. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and claims and judgments are recorded only when payment is due.

The Township reports the following major fund:

General Fund - The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Additionally, the Township reports the following fund types:

Special Revenue Funds - The Special Revenue Funds are used to account for the proceeds of earmarked revenue requiring separate accounting because of legal or regulatory provisions.

Fiduciary Fund - Agency Fund - The Agency Fund accounts for assets held by the Township in a trustee capacity. Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

Township of Richmond

Notes to Financial Statements June 30, 2007

Note 1 - Summary of Significant Accounting Policies (Continued)

Property Tax Revenue

Property taxes are assessed as of December 31 and become a lien on December 1 of the following year. The related property taxes are billed on December 1 of the following year and are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls.

The 2006 taxable valuation of the Township totaled \$139 million, on which taxes levied consisted of 0.7908 mills for operating purposes and 1.550 mills for fire protection and EMS. This resulted in approximately \$110,000 and \$215,000 for operating and fire protection, respectively. These amounts are recognized in the General Fund financial statements as tax revenue.

When an expense has been incurred for purposes for which both restricted and unrestricted resources exist, it is the Township's policy to first apply restricted resources.

Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Prepaid Costs - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid costs in both government-wide and fund financial statements.

Capital Assets - Capital assets, which include property and equipment, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	20 years
Office furnishings	20 years
Equipment	5 to 10 years
Vehicles	15 years

Township of Richmond

Notes to Financial Statements June 30, 2007

Note 1 - Summary of Significant Accounting Policies (Continued)

Long-term Obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net assets. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information - The annual budget is prepared by the Township supervisor and adopted by the Township board; subsequent amendments are approved by the Township board. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered. During the current year, the budget was amended in a legally permissible manner. The budget has been prepared in accordance with accounting principles generally accepted in the United States of America for the General Fund and Special Revenue Fund.

The budget has been adopted on a line-item basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. The Township has not presented the amount of accumulated surplus from the prior fiscal year nor the expected ending surplus or deficit for the current fiscal year in its budget document.

Township of Richmond

Notes to Financial Statements June 30, 2007

Note 2 - Stewardship, Compliance, and Accountability (Continued)

Excess of Expenditures Over Appropriations - During the year, the Township incurred expenditures that were in excess of the amounts budgeted in the General Fund, as follows:

	Amended Budget	Actual
Clerical salaries	\$ 19,255	\$ 20,348
Payroll taxes	-	6,865
Postage and supplies	7,750	8,920
Attorney	38,000	42,269
Other professional services	16,150	18,274
Miscellaneous	1,790	3,468
Trustees	8,970	10,624
Fire contracts	48,575	58,498
Recreation and culture	14,500	16,044
Capital outlay	2,920	4,952

The unfavorable variances were caused by unanticipated expenditures that became necessary during the year.

Construction Code Fees - The Township tracks the results of building department operations in the General Fund. In accordance with Michigan Public Act 245 of 1999, the Township is required to maintain an accounting system that separately accumulates revenue and expenditures related to the building department function. As required under the provisions of the Act, the Township adopted this accounting treatment effective January 1, 2000. Activity for the year ended June 30, 2007 was as follows:

Cumulative surplus - July 1, 2006	\$ 19,619
2006-2007 building department activity:	
Current year revenue	\$ 58,398
Current year expenditures	<u>(72,654)</u>
Excess of expenditures over revenue	<u>(14,256)</u>
Cumulative surplus - June 30, 2007	<u><u>\$ 5,363</u></u>

Township of Richmond

Notes to Financial Statements June 30, 2007

Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Township has designated nine banks for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, and the remainder of state statutory authority as listed above. The Township's deposits and investment policies are in accordance with statutory authority.

The Township's cash and investments are subject to two types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. The Township does not have a deposit policy for custodial credit risk. At year end, the Township had \$162,240 of bank deposits (checking and savings accounts) that were uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Township of Richmond

Notes to Financial Statements June 30, 2007

Note 3 - Deposits and Investments (Continued)

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Township has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of the Township's investments are as follows:

<u>Investment</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
Bank investment pool	\$ 160,914	Not Rated	N/A
Mutual fund	80,959	Aaa	Moody's

Note 4 - Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At June 30, 2007, the entire balance of deferred revenue in the General Fund relates to state-shared revenues that are considered unavailable.

Township of Richmond

Notes to Financial Statements June 30, 2007

Note 5 - Capital Assets

Capital asset activity of the Township's governmental activities was as follows:

	Balance July 1, 2006	Additions	Disposals and Adjustments	Balance June 30, 2007
Governmental Activities				
Capital assets not being depreciated -				
Land	\$ 489,000	\$ -	\$ -	\$ 489,000
Capital assets being depreciated:				
Buildings and improvements	1,096,270	3,010	-	1,099,280
Office furnishings	51,276	-	-	51,276
Equipment	72,349	-	-	72,349
Vehicles	38,197	-	-	38,197
Subtotal	1,258,092	3,010	-	1,261,102
Accumulated depreciation:				
Buildings and improvements	434,668	53,968	-	488,636
Office furnishings	16,904	2,564	-	19,468
Equipment	45,610	7,882	-	53,492
Vehicles	12,232	2,547	-	14,779
Subtotal	509,414	66,961	-	576,375
Net capital assets being depreciated	748,678	(63,951)	-	684,727
Net capital assets	<u>\$ 1,237,678</u>	<u>\$ (63,951)</u>	<u>\$ -</u>	<u>\$ 1,173,727</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:	
General government	\$ 55,626
Public safety	1,985
Public works	524
Recreation and culture	<u>8,826</u>
Total governmental activities	<u>\$ 66,961</u>

Township of Richmond

Notes to Financial Statements June 30, 2007

Note 6 - Long-term Debt

The Township of Richmond entered into an installment purchase agreement for the construction of facilities. Installment purchase agreements are general obligations of the government.

Long-term obligation activity can be summarized as follows:

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	(Reductions)	Ending Balance	Due Within One Year
Governmental Activities						
Installment purchase agreements -						
Building construction:						
Amount of issue: \$500,000	3.73%	\$11,342 -				
Maturing through 10/5/2013		\$22,606	\$ 294,908	\$ (34,699)	\$ 260,209	\$ 36,001

Annual debt service requirements to maturity for the above obligations are as follows:

	Governmental Activities		
	Principal	Interest	Total
2008	\$ 36,001	\$ 9,528	\$ 45,529
2009	37,401	8,129	45,530
2010	38,829	6,701	45,530
2011	40,311	5,218	45,529
2012	41,841	3,688	45,529
2013	43,447	2,082	45,529
2014	22,379	424	22,803
Total	\$ 260,209	\$ 35,770	\$ 295,979

Note 7 - Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for all the above claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Township of Richmond

Notes to Financial Statements June 30, 2007

Note 8 - Joint Venture

The Township is a member of the Richmond-Lenox E.M.S. Ambulance Authority (the "Authority"). The Authority is organized under the Ambulance Authority Act of the State of Michigan, with each township having a 50 percent interest. The Authority was established to provide the citizens of the two townships, as well as surrounding communities, with an emergency medical service through contractual agreements. The Township appoints two members to the joint venture's governing board. The boards of both Richmond Township and Lenox Township approve the annual budget.

The Township's equity interest in the joint venture at June 30, 2007, the latest available financial report, is \$392,075. The Township is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. Complete financial statements can be obtained from the Township office at 34900 School Section Road, Richmond, MI 48062.

Required Supplemental Information

Township of Richmond

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2007

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<u>Revenue</u>				
Property taxes	\$ 316,140	\$ 316,140	\$ 310,307	\$ (5,833)
Licenses and permits	65,000	65,000	58,398	(6,602)
Federal sources	4,400	4,400	11,125	6,725
State sources	241,038	241,038	234,202	(6,836)
Interest	-	-	17,876	17,876
Garbage collection	206,250	206,250	261,234	54,984
Other	81,000	81,000	59,064	(21,936)
Total revenue	913,828	913,828	952,206	38,378
<u>Expenditures</u>				
General Government				
Administration:				
Clerical salaries	16,055	19,255	20,348	(1,093)
Payroll taxes	-	-	6,865	(6,865)
Postage and supplies	2,500	7,750	8,920	(1,170)
Attorney	25,000	38,000	42,269	(4,269)
Audit and accounting	10,000	15,660	15,578	82
Other professional services	16,000	16,150	18,274	(2,124)
Telephone	4,500	4,000	3,648	352
Printing and publishing	6,925	5,425	4,727	698
Insurance	16,000	16,000	15,275	725
Utilities	7,500	8,600	8,251	349
Street lights	4,600	4,300	4,899	(599)
Miscellaneous	5,250	1,790	3,468	(1,678)
Dues and conferences	3,150	4,120	4,504	(384)
Employee benefits	10,185	10,340	10,337	3
Total administration	127,665	151,390	167,363	(15,973)

Township of Richmond

Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended June 30, 2007

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Expenditures (Continued)				
General Government (Continued)				
Assessor	\$ 27,691	\$ 27,041	\$ 26,636	\$ 405
Trustees	7,800	8,970	10,624	(1,654)
Zoning enforcement officer	8,960	7,560	6,491	1,069
Equipment and building maintenance	7,600	8,480	9,434	(954)
Board of appeals	850	850	477	373
Elections	5,300	8,400	7,641	759
Planning commission	16,475	16,075	14,060	2,015
Board of review	1,100	1,100	1,080	20
Cemetery	700	700	495	205
Supervisor	23,725	23,325	23,164	161
Deputy supervisor	4,300	600	450	150
Clerk	22,500	22,700	22,457	243
Deputy clerk	2,000	2,300	2,050	250
Treasurer	23,750	26,280	26,193	87
Deputy treasurer	7,250	7,250	6,750	500
Total general government	287,666	313,021	325,365	(12,344)
Public Safety				
Ambulance service	155,760	155,760	155,760	-
Building department	70,875	62,875	63,442	(567)
Fire contracts	48,575	48,575	58,498	(9,923)
Total public safety	275,210	267,210	277,700	(10,490)
Landfill Services	204,150	204,150	204,703	(553)
Highways and Streets	35,000	35,000	32,600	2,400
Recreation and Cultural	12,000	14,500	16,044	(1,544)
Capital Outlay	20,000	2,920	4,952	(2,032)
Debt Service - Note redemption and interest	46,357	46,357	45,530	827
Total expenditures	880,383	883,158	906,894	(23,736)
Excess of Revenue Over Expenditures	<u>\$ 33,445</u>	<u>\$ 30,670</u>	<u>\$ 45,312</u>	<u>\$ 14,642</u>

November 28, 2007

To the Board of Trustees
Township of Richmond
34900 School Section Road
Richmond, MI 48062

Dear Board Members:

We have recently completed our audit of the financial statements of the Township of Richmond (the "Township") for the year ended June 30, 2007. In addition to our audit report, we offer the following comments and recommendations for your consideration:

State-shared Revenue

The future of the State's revenue sharing program continues to be directly tied to the condition of the State's budget. Reductions to statutory revenue sharing started in 2001 as shortfalls began occurring in the State's budget. The State's budget shortfalls continue to be significant. The State was approximately \$1.8 billion short of the revenue needed to cover basic services for the State's upcoming fiscal year 2007/2008 budget. The Legislature and the Governor acted on October 1 to increase the income tax rate (from 3.9 percent to 4.35 percent raising more than \$750 million) and to enact a new six percent tax on certain services (raising approximately \$700 million per year). As part of the continuation budget that was also passed on October 1, there are still approximately \$400 million of "to-be-determined" cuts that remain to be agreed upon and announced for the fiscal year 2007/2008 budget. It is not completely clear whether the State's fiscal year 2006/2007 budget has been completely balanced as well. The outcome of other matters will also impact revenue sharing and those matters include:

- ***Future of County Participation in Statutory Revenue-sharing*** – In 2004, the State terminated payment of statutory revenue sharing to counties (which was approximately \$182 million) but allowed counties to move their operating tax levy to July from December. Counties are required to deposit the additional monies from the earlier levy into a "reserve fund" which is to be used by the counties to replace lost statutory revenue sharing in future years. The question that remains is when the reserve funds established by counties are depleted, will counties come back into the "revenue sharing formula" and to what extent? Will the size of the statutory pot grow to accommodate counties or will there be a shift of the same monies from cities, villages, and townships to the counties?
- ***Statutory Revenue-sharing Formula Expires in 2007*** – Legislative action is required on this Act for appropriations to continue into 2008 and beyond.

- **Changes to Michigan's Tax Structure** – The Michigan single business tax has been eliminated effective December 31, 2007, which will result in the loss of \$1.9 billion from the State's budget in 2008. In June 2007, a replacement for the single business tax - called the new Michigan business tax - was approved by the legislature. More details on this new tax structure are included below. In the overview, the plan creates a new tax structure for Michigan businesses, provides further personal property tax relief to business taxpayers and is forecasted by the State to generate about the same revenue (\$1.9 billion) as the single business tax. Technical corrections on this recently passed law are still pending and the law is lengthy and complex. The true financial impact on the State's budget is hard to predict. Further changes to Michigan's tax structure were made on October 1 as described above to partially close the structural budget deficit that exists.

As introduced, the Governor's budget for fiscal year 2007/2008 includes a revenue sharing increase of \$27 million to be distributed using the three part formula currently contained in the revenue sharing act (taxable value per capita, population/unit type and yield equalization) with an additional \$14.5 million for public safety funding. While specific details have not been announced yet, communities would only be eligible for the increase if they can demonstrate service sharing with other local governments. Many observers have indicated that it is likely that revenue sharing for fiscal year 2007/2008 will more than likely be tied to fiscal year 2006/2007 funding levels.

It is unclear what the outcome will be regarding the short-term and long-term funding of statutory revenue sharing. Decisions still remain on the ultimate funding level for revenue sharing for the State's fiscal years 2006/2007 and 2007/2008. Local governments may need to react with budget amendments when these final decisions are made by the State.

With the appropriation reductions to revenue sharing since 2001 (including more than \$550 million in fiscal year 2006/2007 over amounts calculated by the statutory formula), a number of townships are no longer receiving any statutory revenue sharing. To accomplish the appropriation reductions mandated in the State's budget, the State is required to reduce the statutory portion of a local unit's revenue sharing (remember that the constitutional portion cannot be adjusted). Many townships no longer have any statutory revenue sharing remaining as a result. For those communities, because sales tax collections have increased since 2001, their revenue sharing is actually increasing because they are now only receiving constitutional revenue sharing.

New Auditing Standards

Major and comprehensive changes were recently made to auditing rules that will impact the Township's audit beginning next year. Eight new auditing standards have been issued (Statements on Auditing Standards 104 through 111) that require significant changes in how audits are done and how the results of the auditor's work are communicated to clients, bringing auditing rules for all entities into closer alignment with the standards imposed on audits of public companies under Sarbanes-Oxley.

These new rules, which are known collectively as the Risk Assessment Standards, require auditors to:

- More thoroughly examine and evaluate clients' accounting processes and controls, including the overall control environment, key controls over significant transactions and the quality of internal oversight of the financial reporting process
- More thoroughly assess and document conditions in clients' systems and processes that create risks of material misstatement in their financial statements, and perform additional testing in response to these risks
- Design and perform more analytical tests of accounting and financial data
- Apply more stringent standards in identifying, assessing and communicating internal control deficiencies
- Communicate more information about the results of the auditor's work to individuals involved in overseeing strategic direction and accountability for operations

As a practical effect of these new rules, auditors will need to make more detailed and specific requests for information from clients, particularly about processes and controls, and clients will need to do more work to be well prepared for their audits. The new rules also will require increased audit testing and more thorough auditing procedures, and will increase the amount of related documentation that auditors must prepare and maintain.

Plante & Moran began analyzing these new standards and incorporating the necessary changes into our audit process and tools more than a year ago. It is clear that the new rules will require us to perform more audit procedures than we have in the past. Our firm has invested heavily to implement our new audit methodology and train our staff on these changes and will continue to do so over the next several months. Our goal is to have our staff trained and working with our clients to prepare for the transition to these new rules well in advance of the required implementation date.

As we move forward, we will be communicating more specifically to management and the Board about how these matters will affect the Township's next financial statement audit. In addition, we plan to begin to work with the Township's Clerk and Treasurer during the upcoming year in a number of areas, including review and documentation of internal accounting procedures and controls, to ensure a smooth transition to these new standards.

The primary objective of these new rules is to strengthen and enhance the independent audit of financial statements, including more thorough evaluation and information about the Township's internal accounting and financial reporting processes and controls. We believe that these new rules, and the additional communications the board will receive from us about the results of our audit work, will enhance the value received from the financial statement audit.

Report on Internal Controls

Beginning with this year's audit, national auditing standards now call for auditors to communicate matters to the governing body that may be useful to you in your oversight of the Township's financial management. Specifically, they require us to report internal control issues to you that may be relatively minor, in order to allow you to evaluate their significance and make any changes you may deem appropriate. The purpose of these new standards is to allow you an opportunity to discuss issues when they are relatively minor, rather than waiting until they become more serious problems. We hope this new communication will be helpful to you, and we look forward to being able to discuss any questions you may have concerning these issues.

In planning and performing our audit of the financial statements of the Township, as of and for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Township's internal control. We believe that the following deficiencies constitute material weaknesses:

Accrual Adjustments – During the audit we generally provide assistance in identifying and calculating the numerous year-end accrual adjustments required to prepare financial statements in accordance with generally accepted accounting principles, including the requirements of GASB Statement 34. Accruals represent adjustments other than cash activity that impact the accounting records (accounts payable, property taxes, capital assets, long term debt, modified accrual revenue recognition, etc.).

We also assist in gathering information required for financial statement reclassifications and footnote disclosures (such as fund balance reservations) and researching proper accounting treatment for significant unusual transactions that may occur during the year (such as separation of the Liquor Law Enforcement and Farmland Preservation Funds). We are pleased to continue to assist in this process - our auditors and accounting service staff have expertise in these sorts of adjustments and reporting issues and can generally assist in a very cost-efficient manner. However, we bring this to your attention since it meets the above definition of a matter to be communicated under the new standards.

We also noted that the adjustments identified during last year's audit were not posted to the Township's general ledger until the end of this fiscal year and we would recommend that any adjustments that we identify be posted to the Township's general ledger in a more timely manner.

We believe the following deficiencies constitute significant deficiencies:

Bank Reconciliations – The reconciliation of key accounts is a critical component of internal control. In order to improve internal control, we are pleased to see that the Township instituted a policy during the year that requires a secondary review of the primary bank accounts. However, we recommend that this review be enhanced to include closer scrutiny of the monthly revenue and expense activity as recorded in the general ledger system to identify unusual fluctuations that may indicate the need for adjustments and review of cash activity for unusual items such as electronic fund transfers. This may be most easily accomplished by reviewing a month-end trial balance report along with the bank reconciliation.

Bond Activity – Current Township procedures prescribe that transactions related to building bonds be recorded in two separate general ledger accounts (one for receipts and one for disbursements). It was noted during our audit that these two accounts are not being used consistently. In some situations, receipts were recorded in the disbursements account and vice versa, while other transactions were posted to general ledger accounts other than the two designated for building bonds. Since this activity relates to monies held in an agency capacity by the Township on behalf of other parties, it is especially important that the transactions be properly segregated from the Township's operating activities. We encourage the Township to review procedures related to tracking bond monies and make any changes necessary to ensure proper procedures are consistently applied.

It was also noted during our review of the detailed bond listing that the listing did not agree to the cash balance in the bond account at the end of the year. We would recommend that the Township reconcile the detailed listing to the general ledger on a regular basis in order to identify and correct any potential problems in a timely manner. Any differences of the general ledger and cash balance from the bond listing should be investigated and adjustments made as necessary.

We noted other internal control matters during the course of the audit that are not considered to be material weaknesses or significant deficiencies, but we believe warrant your attention and consideration:

Tax Account Bank Reconciliations – During the audit, we noted that although the bank reconciliations for the Treasurer's tax account appeared to be prepared timely, they are not reviewed by anyone independent of the reconciliation process. We recommend that all reconciliations be reviewed in an effort to further strengthen internal controls and ensure that all receipts and disbursements are appropriate and accounted for correctly.

PDR Grant Activity – As you are aware, the Macomb Agricultural PDR Committee has been awarded a grant for which the Township was named as the fiduciary. The Township established a separate bank account for receipts and disbursements related to the grant, however, the activity was not recorded in the general ledger during the year. We recommend that a separate fund be created in the general ledger for the activity to be recorded and monitored. The approval and review process of these expenditures should follow the same process as any other disbursement made by the Township, including approval by the Board if necessary.

We thank the Board for the continued opportunity to serve as auditors for the Township. If you have any questions regarding these or any other matters, please contact us.

Very truly yours,

PLANTE & MORAN, PLLC



Christina M. Kostiuk



Lisa C. Manetta